

## Community resources

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## Viewing cable 06BRATISLAVA529, SLOVAKIA HAS ITS OWN MOTIVES FOR REPURCHASING

If you are new to these pages, please read an introduction on the [structure of a cable](#) as well as how to [discuss them](#) with others. See also the [FAQs](#)

### Understanding cables

Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

### Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#06BRATISLAVA529**.

Reference ID	Created	Released	Classification	Origin
<a href="#">06BRATISLAVA529</a>	<a href="#">2006-06-29 14:22</a>	<a href="#">2011-08-30 01:44</a>	<a href="#">CONFIDENTIAL</a>	<a href="#">Embassy Bratislava</a>

Appears in these articles:

<http://www.mcclatchydc.com/2011/05/16/114269/wikileaks-cables-show-oil-a-major.html>

VZCZCXRO4837  
PP RUEHDBU RUEHFL RUEHKW RUEHLA RUEHROV RUEHSR  
DE RUEHSL #0529/01 1801422  
ZNY CCCCC ZZH  
P 291422Z JUN 06  
FM AMEMBASSY BRATISLAVA  
TO RUEHC/SECSTATE WASHDC PRIORITY 0019  
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY  
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 BRATISLAVA 000529

SIPDIS

SIPDIS

E.O. 12958: DECL: 06/21/2016  
TAGS: [ENRG](#) [ECON](#) [EPET](#) [PREL](#) [PGOV](#) [LO](#) [RS](#)  
SUBJECT: SLOVAKIA HAS ITS OWN MOTIVES FOR REPURCHASING  
TRANSPETROL

REF: A. BRATISLAVA 501

[1](#)B. WARSAW 1314

[1](#)C. BRATISLAVA 527

¶1. (C) Summary: The Slovak government's primary aim in repurchasing the Transpetrol shares from Yukos Finance is to maintain state control in the Slovak oil pipeline. Meciar-era businessmen from eastern Slovakia have claims on 34 percent of Transpetrol shares (two thirds of the government's 51 percent stake) that are currently the subject of several cases before the Slovak supreme court. Economy Minister Jirko Malcharek believes an adverse court decision is possible, and he is therefore using his remaining days in office to establish the framework for a deal with Yukos Finance that would allow the GOS to buy back the shares. Since the current government is not interested giving approval to third-party investors from Russia, Poland or the U.S., efforts will now focus on Robert Fico's Smer-led coalition that is expected to take over the reigns of government on July 4. End Summary.

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UNDOING PAST MISDEEDS?  
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¶2. (C) Minister Malcharek told us last Friday that his top priority in his remaining days in office is to set up the circumstances that would enable the Slovak Government to repurchase the 49 percent stake in the Transpetrol pipeline that is currently owned by Yukos Finance. (Note: Given the recent political developments (Reftel C), it appears that the new government will be formed by July 4.) Malcharek outlined two primary reasons for quick action by the GOS: the upcoming Yukos bankruptcy trial in Russia and the need to maintain state control by getting all of the Transpetrol shares back in state hands in order to undue the misdeeds of past governments. Although we have heard different assessments from independent analysts, Malcharek was certain that as a 100 percent subsidiary of Yukos, Netherlands-based Yukos Finance would be affected by a forced disposition into unfriendly hands during Russian bankruptcy proceedings that are expected to begin sometime after the G-8 Summit in July. Malcharek maintained that failure to secure the sale of the Transpetrol stake prior to the start of these proceedings would minimize the GOS' ability to have a say in who purchases the stake.

¶3. (C) Malcharek told us that previous ministers of economy and finance facilitated "a fraudulent deal" that jeopardizes the future of Slovakia's majority stake in the pipeline. A group of individuals with Meciar-era ties have claims on 34 percent of the Transpetrol shares (two-thirds of the total GOS shares) that are currently the subject of multiple cases before the Slovak supreme court. The claims date back to a 1995 real estate dispute by an eastern Slovak company, CSI-CD, which is represented by Ignac Ilcisin. CSI-CD received SKK 40 million (approx. USD 1.35 million) as property damage from the government, which was awarded to the company by a court executor in 1998 as a 34 percent stake in Transpetrol (valued in the range of USD 50 million at the time and approximately USD 70 million today.) At the time, top officials in the Meciar government did not appeal this decision, which provided the verdict a degree of validity. There have been several court decisions both for and against the GOS over the years, and there are currently several pending cases with the Slovak supreme court.

¶4. (C) Malcharek was concerned that the GOS could eventually lose the case due to "corrupting" influences in the courts. According to Transpetrol's agreement with Yukos, this would have further negative effects on the GOS. In losing their majority status, Transpetrol would be required under the shareholder's agreement to transfer two percent of their shares to Yukos, giving the Russian oil company majority control of Transpetrol. In addition, Malcharek noted that Transpetrol could face a penalty of USD 25 million if its shares dropped below 18 percent (Note: he did not provide details on the mechanism by which this would happen.)

15. (C) The uncertainty surrounding a final supreme court decision on the outstanding claims for the 34 percent stake, which Malcharek maintains to have only learned about in January despite taking over the economic portfolio last October, led to the government's recent decision to not approve the sale of Yukos to Russneft. During our meeting Malcharek said that he had met with Yukos Chief Stephen Theede two times in the previous two weeks to discuss a possible repurchase of the 49 percent stake by the Slovak government. He also showed us a letter he was sending to Theede outlining the current GOS position:

- The transfer of the shares to a third party of a "strategic nature" is not viable
- The GOS would like to buy back the shares
- The GOS would be willing to reprivatize part of Transpetrol, but only after securing state ownership of the shares
- Malcharek would like to coordinate actions with Yukos Finance to avoid a forced transfer of the shares in during bankruptcy proceedings
- He proposes transferring shares to a reputable international bank and giving the GOS a call option to repurchase the shares within the next year.

16. (C) According to Malcharek and other GOS officials, the government has the necessary resources to buy back the 49 percent stake, but is seeking the call option to avoid the perception of making a questionable deal during the final days of its mandate. The Director General for the State Budget at the Ministry of Finance confirmed that the government has the flexibility to repurchase the Transpetrol shares, which Russneft reportedly was planning to buy for USD 103 million. Although there has not been any coordination between Malcharek and opposition parties, Smer officials have told us privately that they would also be interested in the GOS repurchasing the Transpetrol stake from Yukos.

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OUTSIDE PARTIES REMAIN INTERESTED  
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7 (C) As outlined in Reftel B, the Polish government has requested our assistance in passing a message to the GOS that the U.S. would support the sale to Polish pipeline operator PERN. Peter Bachraty, a local Bratislava-based consultant representing the Polish interests in purchasing the Yukos' stake, approached us earlier in the week with such a request, though at the time he lacked the details about the channel through which the official request was being made. (Note: Bachraty is not aware that a group of U.S. investors is also interested in the Transpetrol stake - See reftel and para 9 below.) Bachraty met on Monday (6/26) with the Prime Minister's Foreign Policy Advisor, who told him that it was unlikely that the current government would move forward on any private deal. We separately received a similar message from Dzurinda's economic advisor yesterday (6/28). Bachraty acknowledged that the Polish companies had "misplayed their hand" by not more aggressively pursuing a deal prior to the election and instead waiting until the interim period between elections and the formation of a new government to act. (Comment: Given Malcharek's position, which is not public and may not be known to Bachraty, it is doubtful that earlier intervention would have helped. End Comment.)

18. (C) Bachraty told us his company had thoroughly analyzed the legal situation surrounding Yukos (they promised to provide us with their analysis next week) and was not concerned about impact of the upcoming bankruptcy case in Moscow on the sale of the Transpetrol shares. He views an eventual tilt in the Yukos board towards pro-Kremlin supporters as a greater problem that could affect Yukos Finance's disposition of the Transpetrol shares, especially if this decision is delayed for some months. (Comment: After April 2007 the GOS no longer has veto authority over the deal.) Bachraty also recognized that Slovnaft and its Hungarian parent MOL would likely oppose any deal with PERN

since the Poles would be viewed as competitors, but feels that such opposition could be overcome. Given the connection between PKN Orlen and PERN through common ownership (the Polish government share) it is unlikely that MOL would view one more favorably than the other. (Comment: The fact that the Hungarian Party, SMK, is not a part of the proposed coalition probably helps PERN's case. End Comment.)

¶9. (C) Bachraty recognizes that the final GOS decision on what to do with Transpetrol will be taken by the new government, and noted that he was already making plans for his lobbying effort. In addition to meeting with key officials in the new government, once they are announced, Bachraty plans to work with journalists on stories stressing the importance of diversifying energy sources. He requested our assistance in building upon this message.

¶10. (C) GlobalNet Financial Solutions also remains interested in purchasing the pipeline stake from Yukos. Geoff Berlin, GlobalNet's Managing Director in Ukraine, told Ambassador that the financing for the deal would come primarily from Morris E. Zuckerman and Co., a New York based investment firm. We advised Berlin on the current political situation and, based on our conversation with Malcharek, suggested that he may want to hold off making any specific proposals until after the new government is formed. As is the case for PERN, Berlin believes that GOS support for Globalnet's purchase of the shares would give them an advantage in negotiations with Yukos Finance.

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COMMENT  
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¶10. (C) Based on our conversations with Malcharek and top officials in the PM Dzurinda's office, we doubt that the current government will have a change of heart and make a last minute decision to support any potential investor. Efforts to woo the current government could also backfire. One of Smer's top campaign promises was to review the privatizations and business deals enacted in the last few years, and Fico is unlikely to take a kind view of decisions made on significant investments by the outgoing Dzurinda government. Unless Malcharek is able to get a deal for a GOS buyback of shares in the next couple of days, it is unlikely that the new government would be in a position to take action until the fall at the earliest. End Comment  
VALLEE